

EVALUATING CHINA'S PAST AND FUTURE ROLE IN THE WORLD TRADE ORGANIZATION

HEARING

BEFORE THE

U.S.-CHINA ECONOMIC AND SECURITY
REVIEW COMMISSION

ONE HUNDRED ELEVENTH CONGRESS
SECOND SESSION

JUNE 9, 2010

Printed for use of the
United States-China Economic and Security Review Commission
Available via the World Wide Web: www.uscc.gov



UNITED STATES-CHINA ECONOMIC AND SECURITY REVIEW COMMISSION
WASHINGTON : AUGUST 2010

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August 20, 2010

The Honorable DANIEL INOUE
President Pro Tempore of the Senate, Washington, D.C. 20510
The Honorable NANCY PELOSI
Speaker of the House of Representatives, Washington, D.C. 20515

DEAR SENATOR INOUE AND SPEAKER PELOSI:

We are pleased to transmit the record of our June 9, 2010 public hearing on “*Evaluating China’s Past and Future Role in the World Trade Organization.*” The Floyd D. Spence National Defense Authorization Act (amended by Pub. L. No. 109-108, section 635(a)) provides the basis for this hearing.

During the hearing, the Commission received testimony from Senators **Debbie Stabenow** (MI), **Sherrod Brown** (OH), **Chuck Schumer** (NY), and **Lindsey Graham** (SC), on the impact of the trade deficit with China on their respective states and the barriers to trade that American workers and American exporters face in China. The Senators detailed the loss of manufacturing jobs in their states and the need to open China’s markets to American products. In the first panel, two former deputy U.S. Trade Representatives described the U.S. and Chinese expectations for China’s entry in the WTO in 2001. **Alan William Wolff**, of Dewey & LeBoeuff LLP, noted China’s “unrelenting national goal of economic growth since Deng Xiaoping began the process of opening China to market forces through foreign investment in 1978,” and that continued through China’s accession to the WTO. **Robert E. Lighthizer**, an international trade attorney, analyzed the claims made by those who favored granting China Permanent Normal Trade Relations. He noted that U.S. policymakers were repeatedly promised that China’s WTO accession would lead to significant economic and trade benefits for the United States. But, he noted, China has “lured countless businesses from the United States to move production there to serve our market.” **Thea Lee**, deputy chief of staff at the AFL-CIO, testified that the WTO’s dispute settlement mechanisms and rules have failed to protect the United States economy from China’s continued unfair trade practices. “The rapid industrialization and the rapid growth of exports from China far outpaced the development of regulatory institutions, law and enforcement capacity,” she said.

Panelists also described current U.S.-China Relations in the WTO a decade after China’s accession. **James Bacchus**, of Greenberg Traurig, LLP, a former chairman of the Appellate Body of the WTO and a former special assistant to the U.S. Trade Representative, said that he saw China’s membership “not as a threat to the United States, but as an opportunity for the United States, and as an opportunity for all the world.” **Clyde V. Prestowitz**, president of the Economic Strategy Institute, said that China’s WTO membership has harmed the U.S. economy and workers because “it has forced a lot of companies to actually move to China in order to survive against competitors already there or in order to continue to be able to supply big companies like Wal-Mart, Boeing, and others, and has dramatically increased the pressure of competition on all companies operating in the domestic U.S. market. Only if a company’s products or services are truly and wholly non-tradable has the entry of China into the WTO had no effect,” said Prestowitz. **Oded Shenkar**, a professor at Fisher College of Business at Ohio State University, warned that Chinese discrimination against imports will likely continue, despite China’s WTO membership because “China

is strategically determined to grow Chinese companies to global prominence, (so) that discrimination will occur through “non-tariff barriers in the form of technical standards (and) variable enforcement.”

The Commission also heard recommendations for future U.S. policy toward China within the WTO. **Terence Stewart**, of Stewart and Stewart, said that China must accept responsibility for rebalancing its trade with the United States and must accept a leadership role within the WTO. **Gilbert Kaplan**, a former Commerce Department deputy assistant secretary for import administration, said the United States should push for reform of the WTO Dispute Settlement Process. He noted that the United States has failed to address China’s deliberate undervaluation of its currency, which is damaging America’s manufacturing base. **Calman J. Cohen**, president of the Emergency Committee for American Trade (ECAT), noted that U.S. exports to China have quadrupled since 2000, making China America’s fastest growing export market. Despite this substantial progress, more work needs to be done by the Chinese government to open its markets to U.S. goods and services, he said. In some cases, China’s actions and policies continue to fall short of its WTO commitments; in others, China is taking actions and adopting policies that are contrary to the core principles of non-discrimination and rule of law that transcend the international trade system, although they may not be fully covered by WTO rules.


Thank you for your consideration of this summary of the Commission’s hearing. We note that the prepared statements submitted by the witnesses are now available on the Commission’s website at www.uscc.gov. The full transcript of the hearing will be available shortly and will be posted on the website as well.

Members of the Commission are also available to provide briefings that are more detailed. We hope these materials will be helpful to the Congress as it continues its assessment of U.S.-China relations and their impact on U.S. security. Per statutory mandate, the Commission will examine in greater depth these and other issues in its Annual Report that will be submitted to Congress in November 2010. Should you have any questions, please feel free to have your staff contact Jonathan Weston, the Commission's Congressional Liaison, at (202) 624-1487.

Sincerely yours,



Daniel Slane
Chairman



Carolyn Bartholomew
Vice Chairman

Cc: Members of Congress and their staffs

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